

Recommendation: **Buy**

 Target Price: **C\$15.00**

Current Price	C\$8.29	Shares Outstanding (MM)	
52 Wk High	C\$18.81	Basic	64.5
52 Wk Low	C\$6.64	Diluted	67.7
Cash (MM)	C\$20.6	Mgmt and Dir	1.9
Debt (MM)	C\$247.0	Mkt Cap. (MM)	C\$534.9
NAV	C\$15.00	EV (MM)	C\$761.3
P/NAV	0.55x	Reserves	2.7MMoz
NAV (spot)	C\$15.05	Total Resource	5.8MMoz
P/NAV (spot)	0.55x		
Total Return	81%		

Fiscal YE Dec 31		2021A	2022A	2023E
Prod'n (000oz)	Q1	26.8	24.4	36.4
	Q2	32.1	32.1	42.3
	Q3	55.8	50.0	45.9
	Q4	49.5	43.7	45.9
	FY	164.2	150.2	170.6
Cash Cost (\$/oz)		\$725	\$917	\$1,093
AISC (\$/oz)		\$1,193	\$1,433	\$1,436
Adj. EPS	Q1	C\$0.15	C\$0.23	C\$0.20
	Q2	C\$0.12	C\$0.18	C\$0.06
	Q3	C\$0.53	C\$0.02	C\$0.29
	Q4	C\$0.70	C\$0.18	C\$0.29
	FY	C\$1.51	C\$0.61	C\$0.85
P/E		5.5x	13.6x	9.7x
Adj. CFPS	Q1	C\$0.52	C\$0.58	C\$0.49
	Q2	C\$0.49	C\$0.57	C\$0.38
	Q3	C\$1.05	C\$0.53	C\$0.63
	Q4	C\$0.93	C\$0.69	C\$0.63
	FY	C\$3.00	C\$2.37	C\$2.13
P/CF		2.8x	3.5x	3.9x
FCF (MM)		C\$24.1	C\$(49.5)	C\$22.0
FCF Yield		4.5%	-	4.1%

NAV: Cormark deck is \$1,800/oz; spot gold is \$1,824/oz

Company Description:

Victoria Gold is a single asset producer that operates the 100%-owned Eagle Gold Mine in the Yukon. Eagle poured its first gold in Q3/19 and achieved commercial production on July 1, 2020.

Victoria Gold Corporation

(VGCX - TSX)

Solid Q4/22 Results; 2023 Guidance Meets Expectations

Unless otherwise denoted, all figures shown in US\$

Event:

Q4/22 financials (production pre-reported); 2023 guidance

Impact:

Neutral

Commentary:

After pre-reporting Q4/22 production (note [HERE](#)), Victoria reported adjusted EPS of C \$0.18 that came in ahead of both our estimate of C\$0.15 and consensus of C\$0.11, with the beat driven by lower-than-expected operating costs (total cash cost of \$920/oz versus our estimate of \$1,123/oz). CFPS of C\$0.69 also came in well ahead of our estimate of C\$0.49 and consensus of C\$0.39. FCF of -C\$5.2 MM was below our estimate of -C\$0.9 MM, as stronger operating cash flow and lower-than-expected capex (C\$30 MM versus our C\$37 MM estimate) was offset by a sizable C\$15 MM working capital outflow.

Victoria exited Q4/22 with C\$21 MM in cash, down from C\$36 MM in Q3/22 due to the negative FCF and debt payments. The company has C\$247 MM in total debt, for a net debt position of C\$226 MM. Victoria recently increased the amount of its term facility by C\$25 MM (to C\$125 MM) and extended the maturity date to September 30, 2024 (from December 31, 2023). The term facility is repayable in seven equal quarterly installments through to the maturity date.

Guidance for 2023 was set at 160,000-180,000 oz at AISC of \$1,350-1,550/oz, which compares well with our production estimate of 175,400 oz, but is slightly higher than our AISC estimate of \$1,310/oz. Victoria noted that the seasonality experienced in 2021 and 2022 (where gold production was lower in H1) is expected to be reduced in 2023. The gold ounces in inventory, primarily on the heap leach pad, is higher at the end of 2022, and regularly scheduled maintenance periods, which were previously weighted to the Q1, are expected to be reduced and spread over the year.

Total capital spending is expected to be C\$105 MM, above our estimate of \$95 MM. This includes C\$30 MM of sustaining capital (primarily mobile equipment rebuilds), C\$50 MM of capitalized waste stripping (waste stripping in 2023 is expected to be materially higher than the life of mine average annual waste stripping), C\$15 MM of growth capital (heap leach pad expansion), and C\$10 MM on growth exploration spending.

Investment Conclusion:

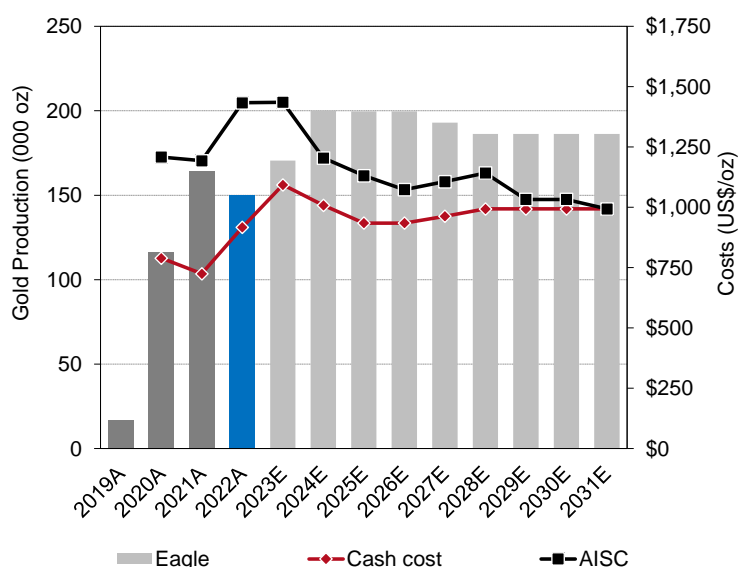
Victoria currently trades at just 0.55x NAV (at \$1,800/oz), which we continue to believe this is an attractive valuation for a single-asset producer in a Tier-1 jurisdiction with exceptional exploration potential to extend the mine life beyond the current 10 years.

Figure 1: Quarterly Results & Changes to Estimates

		Q1/21A	Q2/21A	Q3/21A	Q4/21A	Q1/22A	Q2/22A	Q3/22A	Q4/22A	2020A	2021A	2022A	2023E
UPDATED													
Gold production	000 oz	26.8	32.1	55.8	49.5	24.4	32.1	50.0	43.7	116.6	164.2	150.2	170.6
Cash costs	\$/oz	\$713	\$775	\$708	\$718	\$618	\$828	\$1,116	\$920	\$789	\$725	\$917	\$1,093
AISC	\$/oz	\$1,586	\$1,485	\$961	\$1,052	\$1,504	\$1,371	\$1,489	\$1,376	\$1,209	\$1,193	\$1,433	\$1,436
Adjusted EPS	C\$/share	\$0.15	\$0.12	\$0.53	\$0.70	\$0.23	\$0.18	\$0.02	\$0.18	\$0.92	\$1.51	\$0.61	\$0.85
Adjusted CFPS	C\$/share	\$0.52	\$0.49	\$1.05	\$0.93	\$0.58	\$0.57	\$0.53	\$0.69	\$1.24	\$3.00	\$2.37	\$2.13
Capital spending	C\$ MM	\$31.1	\$25.7	\$21.9	\$20.1	\$31.6	\$16.9	\$44.1	\$29.6	\$80.3	\$98.8	\$122.3	\$105.0
Free cash flow	C\$ MM	(\$21.1)	(\$18.3)	\$32.3	\$31.1	(\$40.1)	\$0.5	(\$4.7)	(\$5.2)	\$19.7	\$24.1	(\$49.5)	\$22.0
PREVIOUS													
Gold production	000 oz	26.8	32.1	55.8	49.5	24.4	32.1	50.0	43.7			150.2	175.4
Cash costs	\$/oz	\$713	\$775	\$708	\$718	\$618	\$828	\$1,116	\$1,123			\$976	\$1,059
AISC	\$/oz	\$1,586	\$1,485	\$961	\$1,052	\$1,504	\$1,371	\$1,489	\$1,547			\$1,483	\$1,310
Adjusted EPS	C\$/share	\$0.15	\$0.12	\$0.53	\$0.70	\$0.23	\$0.18	\$0.02	\$0.15			\$0.59	\$1.03
Adjusted CFPS	C\$/share	\$0.52	\$0.49	\$1.05	\$0.93	\$0.58	\$0.57	\$0.53	\$0.49			\$2.17	\$2.33
Capital spending	C\$ MM	\$31.1	\$25.7	\$21.9	\$20.1	\$31.6	\$16.9	\$44.1	\$37.0			\$129.7	\$95.4
Free cash flow	C\$ MM	(\$21.1)	(\$18.3)	\$32.3	\$31.1	(\$40.1)	\$0.5	(\$4.7)	(\$0.9)			(\$45.2)	\$45.3

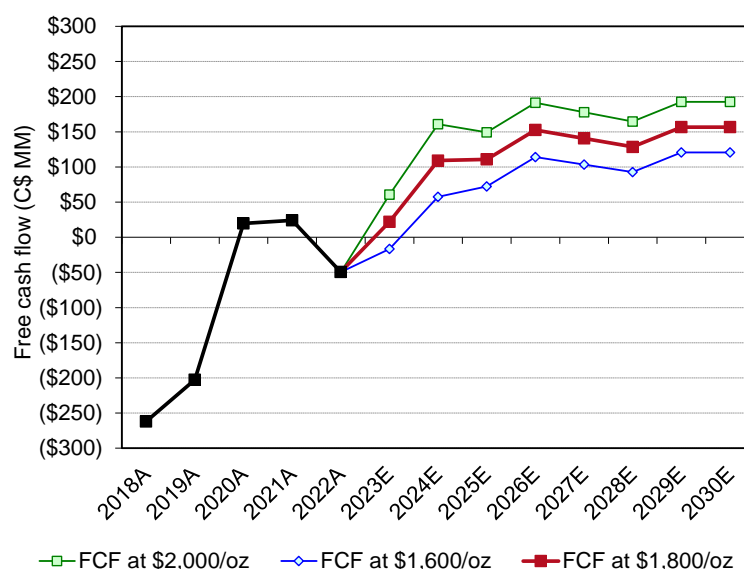
Source: Cormark Securities Inc.

Figure 2: Production & Cost Profile



Source: Cormark Securities Inc.

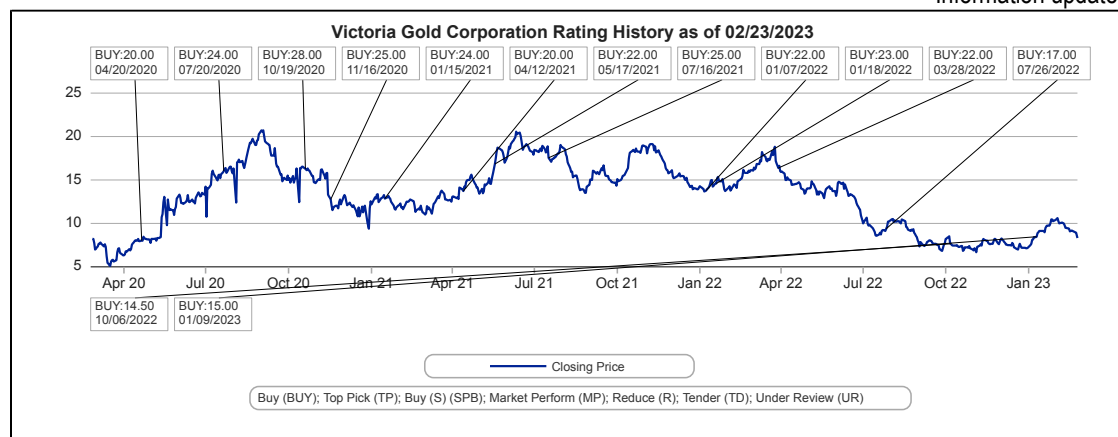
Figure 3: FCF Profile



Source: Cormark Securities Inc.

Price Chart and Disclosure Statement

*Information updated monthly on or about the 5th of each month



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